

Message Text

CONFIDENTIAL

PAGE 01 ALGIER 01690 01 OF 02 061028Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 XMB-02 AID-05 COME-00 TRSE-00

OMB-01 CIAE-00 INR-07 NSAE-00 (ISO) W

----- 022940

P 060940Z JUL 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 4819

C O N F I D E N T I A L SECTION 1 OF 2 ALGIERS 1690

E.O. 11652: GDS

TAGS: ECON, AG

SUBJECT: EXIMBANK VISIT TO ALGERIA

1. SUMMARY: DURING 10-DAY VISIT TO ALGERIA, U.S. EXIMBANK DELEGATION WAS TOLD THAT ALGERIA SCALING DOWN EXPECTATIONS FOR SECOND HALF OF DEVELOPMENT PLAN, ALTHOUGH MANY MAJOR PROJECTS WOULD BE LAUNCHED. ALGERIANS SAID THAT THEY PLANNED TO BORROW \$2-\$2.5 BILLION IN 1976 AND ROUGHLY SAME AMOUNT IN 1977. WORK ON EXIMBANK-FINANCED LNG I PROJECT APPEARED TO BE PROCEEDING WELL, BUT SONATRACH OFFICIALS TOLD EXIMBANK TEAM THAT THEY HAD RECENTLY REACHED CONCLUSION THAT WORK ON RELATED GAS TREATMENT PROJECT AT HASSI R'MEL NOT PROCEEDING SATISFACTORILY. ALL MEETINGS WERE VERY CORDIAL AND APPEARED BENEFICIAL FROM BOTH EXIM AND ALGERIAN POINT OF VIEW. END SUMMARY.

2. THREE-MAN DELEGATION FROM U.S. EXIMBANK, HEADED BY DEPUTY VICE PRESIDENT THOMAS MORAN, VISITED ALGERIA FROM JUNE 22 TO JULY 1. WITH STRONG SUPPORT FROM SONATRACH, TEAM WAS RECEIVED BY MINISTER OF INDUSTRY AND ENERGY ABDESSELAM, MINISTER OF STATE FOR PLAN ABDELLAH KHODJA AND OTHER SENIOR FINANCIAL AND INDUSTRIAL OFFICIALS. MAIN AREAS OF DISCUSSION BETWEEN EXIMBANK OFFICIALS AND ALGERIANS ARE SET OUT BELOW.

3. DEVELOPMENT PROGRAM: SECRETARY OF STATE FOR PLAN ABDELLAH KHODJA TOLD EXIMBANK DELEGATION THAT ALGERIA

CONFIDENTIAL

PAGE 02 ALGIER 01690 01 OF 02 061028Z

HAD REACHED A SORT OF DEVELOPMENT PLATEAU. ALGERIA'S

CAPACITY TO ABSORB NEW INVESTMENT WAS STRAINED, AND THERE WERE NOW FINANCIAL CONSTRAINTS WHERE THERE HAD BEEN NONE WHEN THE PLAN WAS LAUNCHED. AS A RESULT, ABDELLAH KHODJA SAID THAT ALGERIA HAD DECIDED NOT TO DO AS MUCH IN THE LAST TWO YEARS OF THE PLAN AS IT HAD DONE IN THE FIRST TWO YEARS. HE ADDED THAT NEITHER METALLURGICAL CENTER AT JIJEL NOR WESTERN ALGERIA STEEL COMPLEX LIKELY TO BE SIGNED DURING THE CURRENT PLAN, WHICH CONTINUES UNTIL THE END OF 1977. PLANNED AUTOMOBILE PLANT MIGHT ALSO BE "REDEFINED." OTHER MAJOR PROJECTS, HOWEVER, WOULD MOVE FORWARD IN THE SECOND HALF OF THE PLAN PERIOD. A TRUCK-MOTOR COMPLEX WOULD BE SIGNED AS WOULD PHOSPHATE PROCESSING FACILITIES AND PERHAPS PETROCHEMICAL FACILITIES. IN ALL ALGERIA WOULD SPEND \$6-\$7 BILLION ON DEVELOPMENT IN 1976 AND NO MORE THAN \$7.5 BILLION IN 1977.

4. COMMENTS OF INDUSTRY AND ENERGY OFFICIALS INDICATED THAT EMPHASIS IN THE SECOND HALF OF PLAN WOULD BE ON IMPROVED MANAGEMENT AND SATISFACTORY COMPLETION OF THOSE PROJECTS ALREADY LAUNCHED. OFFICIALS NOTED TO EXIM DELEGATION THAT DIRECTIVES HAD BEEN ISSUED EARLY IN 1976 WITH AIMS OF CLEARING AWAY PORT CONGESTION AND RESOLVING INTERNAL TRANSPORTATION SNARL. WHILE THESE OFFICIALS MAINTAINED NO PROJECTS WOULD BE FORMALLY ELIMINATED FROM THE PLAN AND THAT CALLS FOR BIDS AND DISCUSSIONS WOULD CONTINUE NORMALLY, THEY NOTED THAT "IMPLEMENTATION PERIOD" OF MANY PROJECTS WOULD LENGTHENED.

5. SECRETARY GENERAL OF MINISTRY OF INANCE MAHFOULD AOUI ALSO PLACED EMPHASIS IN HIS TALKS WITH EXIMBANK DELEGATION ON IMPROVED MANAGEMENT OF INVESTMENT SPENDING. AOUI NOTED THAT IBRD TEAM HAD RECENTLY CALLED FOR IMPROVED INVESTMENT CONTROL PROCEDURES. AOUI NOTED THAT PROCEDURES WERE NOW BEING PUT INTO PLACE WHICH WOULD GIVE BANKS MORE EFFECTIVE CONTROL OVER IMPORTS. AOUI MAINTAINED, HOWEVER, THAT IBRD HAD IN FACT NOTED THAT ALGERIA HAD ALREADY BEEN MAKING PROGRESS IN THIS AREA. HE ADDED THAT WHILE TIGHTER BANK CONTROL OVER IMPORTS WOULD MEAN MORE BUREAUCRACY IN CUSTOMS AREA, THIS WAS PRICE THAT HAD TO BE PAID.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ALGIER 01690 01 OF 02 061028Z

6. FUTURE BORROWING: ALGERIAN OFFICIALS TOLD EXIMBANK DELEGATION THAT ALGERIAN BORROWING IN 1976 WOULD BE LESS THAN GROSS BORROWING OF ALGERIA IN 1975, ESTIMATED AT \$3.3 BILLION. AOUI PREDICTED 1976 GROSS BORROWING OF BETWEEN \$2 AND \$2.5 BILLION DIVIDED AS FOLLOWS: \$1 BILLION OF FINANCIAL CREDITS; \$1 BILLION OF SUPPLIERS CREDITS; AND UP TO \$500 MILLION "TO MAINTAIN RESERVES."

ALGERIAN OFFICIALS CONFIRMED INTENTIONS TO SEEK ADDITIONAL
EURODOLLAR FINANCING IN FALL OF 1976. ESTIMATES OF AMOUNT
OF FALL LOAN RANGED FROM \$400 MILLION TO \$600 MILLION.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ALGIER 01690 02 OF 02 061045Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 XMB-02 AID-05 COME-00 TRSE-00

OMB-01 CIAE-00 INR-07 NSAE-00 (ISO) W

----- 022903

P 060940Z JUL 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 4820

C O N F I D E N T I A L SECTION 2 OF 2 ALGIERS 1690

7. MINISTER OF INDUSTRY AND ENERGY ABDESSELAM STRESSED
THAT ALGERIA HAD RESOURCES TO BACK UP ITS BORROWING.
ALGERIA WILL EARN \$5 BILLION FROM HYDROCARBON
SALES THIS YEAR. WITH PROBABLE INCREASES IN OIL
PRODUCTION AND PRICE, THIS AMOUNT WOULD RISE TO \$5.5-
\$6.0 IN 1977. AMBDESSELAM'S MAIN THEME WAS THAT
ALGERIA HAS AMPLE RESOURCES TO COVER THE DEBTS IT
ENGAGES; HOWEVER, THE PROBLEM IS TO ASSURE THAT
RECEIPTS WILL RISE FAST ENOUGH TO PERMIT BALANCE OF
PAYMENTS EQUILIBRIUM. ABDESSELAM ADDED THAT IF ALGERIA
COULD REACH 1982-1983 WITHOUT MAJOR FINANCIAL PROBLEMS,
IT WOULD BE OVER THE HUMP IN ITS DEVELOPMENT PROGRAM.

8. STATUS OF EXIMBANK-FINANCED PROJECTS: EXIMBANK TEAM
VISITED SITES OF SEVERAL PROJECTS IN ALGERIA. AT LNG I PROJECT
SITE IN ARZEW, BECHTEL ENGINEERS PRESENTED CREDIBLE
PICTURE OF GOOD PROGRESS AND QUALITY WORK. AT SITES OF
BOTH GTE ELECTRONICS PROJECT AT SIDI BEL ABBES AND PRITCHARD
GAS TREATMENT PLANT AT HASSI R'MEL, PROJECTS
APPEARED STILL IN STAGE OF SITE PREPARATION.

9. IN MEETINGS WITH EXIMBANK, SONATRACH OFFICIALS
WERE VERY CRITICAL OF WORK OF PRITCAHRD INTERNATIONAL
CORP. AT HASSI R'MEL GAS TREATMENT PLANT, WHICH WILL

SUPPLY GAS TO LNG-I. SONATRACH PRESIDENT GHOZALI SAID HE HAD REACHED CONCLUSION THREE WEEKS PRIOR TO EXIMBANK VISIT THAT PRITCHARD'S WORK AT HASSI R'MEL WAS NOT SATISFACTORY. GHOZALI ADDED THAT CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ALGIER 01690 02 OF 02 061045Z

UNLESS PRITCHARD COULD OFFER PROOF THAT IT HAD ABILITY TO DO JOB IN TIME REQUIRED, SONATRACH WOULD CONSIDER REPLACING PRITCHARD AS CONTRACTOR.

10. AT ALL MEETINGS, EXIMBANK DELEGATION EMPHASIZED THE INABILITY OF EXIM TO APPROVE ALL ALGERIAN FINANCING REQUESTS. TEAM RESPONDED TO QUESTIONS ABOUT HIGHER INTEREST RATES WHICH EXIM IS NOW REQUIRING AND EXPLAINED ON MANY OCCASIONS EXIM DECISION TO NOT APPROVE FINANCING FOR LNG II AT PRESENT TIME. ALL MEETINGS WERE VERY CORDIAL, AND ALGERIANS SEEMED WELL AWARE OF PROBLEMS IN SUCH AREAS AS CUSTOMS, ISSUANCE OF LABOR PERMITS, AND OF INTRA-GOVERNMENTAL COORDINATION IN GENERAL WHICH HINDERING DEVELOPMENT EFFORT. LYNE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LOANS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ALGIER01690
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760259-0896
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760790/aaaadauu.tel
Line Count: 193
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2004 by ifshinsr>; APPROVED <01 OCT 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXIMBANK VISIT TO ALGERIA
TAGS: ECON, AG, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006